

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

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AMEMBASSY BURSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION NATO

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USEEC

USOECN ALSO FOR EMBASSY

DEPT PASS TREASURY

USDOC FOR BEWT/USSR

E.O. 11652: GDS

TAGS: EEWT UR UK

SUBJECT: MEETING OF SOVIET-BRITISH INTER-GOVERNMENTAL COMMISSION
ON SCIENTIFIC, TECHNICAL, TRADE AND ECONOMIC COOPERATION

1. SOVIETS AND BRITISH HELD SIXTH SESSION OF SUBJECT
COMMISSION MAY 24-26 IN MOSCOW UNDER CO-CHAIRMANSHIP OF
SCST CHAIRMAN KIRILLIN AND SECRETARY OF STATE FOR
TRADE DELL. ASSUME DEPARTMENT HAS FBIS TEXT OF FINAL
COMMUNIQUE. AT MEETING OF WESTERN COMMERCIAL OFFICERS
MAY 31, UK COMATT PROVIDED FOLLOWING ADDITIONAL INFORMATION
ON HIGHLIGHTS IN COMMERCIAL AREA:

(A) METHANOL PLANTS: COMMISSION NOTED THAT
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RECENTLY-SIGNED DEAL, WORTH 147 MILLION POUNDS,
WAS LARGEST IN HISTORY OF UK-USSR TRADE. COMATT ADDED
THAT SUCCESSFUL CONSORTIUM INCLUDED DAVY POWER GAS,
ICI AND FRB'S KLOECKNER WITH PRINCIPAL COMPETITION COMING
FROM FRG'S LURGI. SALES CONTRACTS ARE SUPPORTED BY
ECDG CREDITS BUT DENOMINATED IN US DOLLARS --ANOTHER
FIRST IN SOVIET-BRITISH TRADE. COMATT WAS UNSURE OF

DETAILS AS FINAL NEGOTIATIONS TOOK PLACE IN LONDON, BUT HE CONFIRMED THE DEAL IS COMPENSATION ARRANGEMENT WHERE BOTH BRITISH PARTICIPANTS AND KLOECKNER WILL BUY BACK METHANOL AT DOLLAR-DENOMINATED PRICES. (COMMENT: WE HAD HEARD EARLIER THAT KLOECKNER WAS PRINCIPAL BUY-BACK PARTNER AMONG THREE CONSORTIUM MEMBERS.)

(B) UK CREDIT: COMMISSION NOTED THAT ABOUT ONE THIRD OF 950 MILLION POUND CREDIT LINE HAD BEEN UTILIZED AT TIME OF COMMISSION MEETING. COMATT EXPLAINED THAT THIS FIGURE IS LOW, HOWEVER, AS METHANOL DEAL HAD NOT BEEN COMPLETELY FACTORED IN. HE PLACED TOTAL COMMITMENT AT 330-360 MILLION POUNDS.

(C) FUTURE PROSPECTS: WHILE THEY ARE NOT IN FINAL COMMUNIQUE, COMMISSION IDENTIFIED "NEW AREAS OF COOPERATION" WHERE COMMERCIAL PROSPECTS ARE FAVORABLE. FOR UK FIRMS IN USSR THESE INCLUDED EQUIPMENT AND TECHNOLOGY FOR CHEMICAL PRODUCTION (PLANT PROTECTION, CHLOROPRENE MONOMER, POLYACRYLIC FIBRES, AUTOMOTIVE POWDER PAINT), METALLURGICAL EQUIPMENT, GAS AND OIL INDUSTRY EQUIPMENT, AND FOOD AND TOBACCO INDUSTRY EQUIPMENT. (FRENCH COMOFF COMMENTED AT THIS POINT THAT LIST SOUNDED IDENTICAL TO ONE SOVIET HAD RECENTLY GIVEN HIS GOVERNMENT.) AUTOMOTIVE INDUSTRY EQUIPMENT WAS ONLY AREA IDENTIFIED FOR INCREASED SOVIET EXPORTS TO UK. COMATT NOTED THAT NEGOTIATIONS ARE ALREADY IN TRAIN IN ALL THESE "NEW" AREAS.

(D) COMPENSATION AGREEMENTS: BRITISH BLUNTED SOVIET THRUST FOR OFFICIAL BLESSING WITH CAREFULLY NEGOTIATED LANGUAGE WHICH NOTED IMPORTANCE OF COMPENSATION AGREEMENTS, "WHICH CAN, UNDER CERTAIN CIRCUMSTANCES, CONFIDENTIAL

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CONTRIBUTE TO THE LONG-TERM DEVELOPMENT OF TRADE," BUT ADDED THAT "CONVENTIONAL METHODS OF TRADE WILL REMAIN AS IMPORTANT AS EVER" AND SUGGESTED THAT "TO BE COMMERCIAL SUCCESSFUL, FLEXIBILITY MUST BE SHOWN BY BOTH SIDES IN THE DEVELOPMENT OF CONTRACTS."

(D) DIVERSIFICATION OF SOVIET EXPORTS: SOVIETS PROPOSED, BUT DID NOT PUSH, ESTABLISHMENT OF WORKING GROUP ON MACHINERY AND EQUIPMENT, WHICH THEY APPARENTLY ENVISIONED AS VEHICLE FOR EXPANSION OF SOVIET EXPORTERS IN NON-TRADITIONAL AREAS.

(F) CSCE: IN RESPONSE TO SOVIET REQUEST FOR JOINT OBSERVANCE TO HELSINKI, "THE TWO SIDES NOTED THE RESOLVE OF THEIR RESPECTIVE GOVERNMENTS, TOGETHER WITH THE OTHER PARTICIPANTS IN CSCE, TO OBSERVE ALL THE STIPULATIONS OF THE FINAL ACT IN THEIR ENTIRETY."

(G) BUSINESS FACILITATION: NOT ON AGENDA AND NOT DISCUSSED, ACCORDING TO COMATT. (COMMENT: THIS IS NOT SURPRISING AS HMG SEEMS TO TAKE A LESS ACTIVE INTEREST IN WORKING AND LIVING CONDITIONS OF UK

FIRMS IN MOSCOW THAN DO WE.)

2. COMMENT: 'TIS THE SEASON FOR USSR BILATERAL COMMERCIAL MEETINGS, FOR SOVIET DELEGATION HEADED BY FIRST DEPUTY PREMIER TIKHONOV IS NOW TALKING WITH WEST GERMANS IN BONN, US-USSR JOINT COMMERCIAL COMMISSION WILL CONVENE NEXT WEEK, AND FRANCO-SOVIET CHAMBER OF COMMERCE IS SCHEDULED TO MEET JUNE 9 IN MOSCOW. COMMON THREADS ARE LIKELY TO BE SOVIET REQUEST FOR JOINT ENDORSEMENT OF COMPENSATION APPROACH AND CSCE FINAL ACT PLUS SIMILAR LISTS OF SOVIET INDUSTRIAL PROJECTS WHERE WESTERN "COOPERATION" IS WELCOMED. WE SUSPECT, TOO, THAT DIVERSIFICATION OF USSR EXPORTS WILL ALSO BE ON SOVIET AGENDA FOR THESE MEETINGS.
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